

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1898 – HB 2221

March 25, 2014

**SUMMARY OF ORIGINAL BILL:** Directs the Commissioner of Correction to study and evaluate the effectiveness of the orientation of inmates relative to post-release and the program's effectiveness in helping inmates securing employment, housing, food, health care, education and training, reinstatement of licenses and voting, and access to other social services. The commissioner shall report the findings and any recommendations from the study to the Judiciary Committee of the Senate and the Criminal Justice Committee of the House of Representatives on or before January 15, 2015.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (014030):** Deletes all language after the enacting clause.

Enacts the "No Excuses Act" for the purpose of creating a pilot program to run from the effective date of the act until July 1, 2016, unless extended by the General Assembly. The intent of the program is to combat recidivism and assist criminal offenders reintegrating into society.

The program exempts from state and local sales and use tax upon any motor vehicle sold to someone who possesses a valid driver license; possesses comprehensive liability and collision insurance; possesses proof of employment; and possesses documentation that evidences a referral from a non-profit organization or outreach program located in Shelby County that offers a thirteen-week course for assisting in the personal career and development of offenders or that provides reentry housing partnership services, reentry workshops and plans services, and life skills manual services; and the person signs a statement acknowledging that the motor vehicle will be equipped with a global positioning monitoring system device as provided by one of the referring non-profit organizations.

Limits application of the act to 240 persons eligible to receive the exemption. Prohibits an eligible person to receive more than one exemption. A referring non-profit organization may not make more than 10 referrals per month. Directs the Department of Revenue to monitor compliance with the act.

Authorizes the Department of Revenue to promulgate rules and regulations to effectuate the purpose of the act.

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## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Net Impact – \$94,100/FY14-15  
\$131,700/FY15-16**

**Decrease Local Revenue – Net Impact – \$6,100/FY14-15  
\$8,500/FY15-16**

Assumptions for the bill as amended:

- Based on data from the United States Department of Transportation, Bureau of Transportation Statistics, the average sale price for new and used vehicles in 2010 was \$13,105, with a 15-year average rate of growth of 1.33 percent. It is estimated that the average vehicle price in 2014 will be \$13,816 ( $\$13,105 \times 1.33\% \times 1.33\% \times 1.33\% \times 1.33\%$ ).
- The current state sales tax rate is 7.00 percent; the state single article sales tax rate (which is levied on the portion of the purchase price above \$1,600 and below \$3,200) is 2.75 percent; the average local option sales tax rate (which can only be levied on the first \$1,600 of the purchase price) is estimated to be 2.50 percent.
- The average total state sales tax per vehicle is estimated to be \$967 ( $\$13,816 \times 7.00\%$ ); the average state single article tax per vehicle is estimated to be \$44 ( $\$1,600 \times 2.75\%$ ); the average local option sales tax per vehicle is estimated to be \$40 ( $\$1,600 \times 2.50\%$ ).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(p), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617% [ $(5.5\%/7.0\%) \times 4.603\%$ ]. This apportionment does not apply to state revenue collected pursuant to the single article tax.
- The average total state sale tax per vehicle is estimated to be \$976 [ $\$967 + \$44 - (\$967 \times 3.617\%)$ ]; the average total local sales tax per vehicle is estimated to be \$75 [ $\$40 + (\$967 \times 3.617\%)$ ].
- There will be 100 persons in FY14-15 and 140 persons in FY15-16 whose motor vehicle purchases will be exempt from the state and local sales and use taxes pursuant to this Act.
- The net decrease in state sales tax revenue is estimated to be \$97,600 ( $\$976 \times 100$ ) in FY14-15, and \$136,640 ( $\$976 \times 140$ ) in FY15-16.
- The total decrease in local sales tax revenue is estimated to be \$7,500 ( $\$75 \times 100$ ) in FY14-15, and \$10,500 ( $\$75 \times 140$ ) in FY15-16.

- Fifty percent of tax savings will be spent in the economy on sales taxable goods and services. Recurring tax savings are estimated to be \$105,100 (\$97,600 + \$7,500) in FY14-15, and \$147,140 (\$136,640 + \$10,500) in FY15-16.
- The net increase in state sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$3,545  $[(\$105,100 \times 50.0\% \times 7.0\%) - (\$105,100 \times 50.0\% \times 7.0\% \times 3.617\%)]$  in FY14-15, and \$4,964  $[(\$147,140 \times 50.0\% \times 7.0\%) - (\$147,140 \times 50.0\% \times 7.0\% \times 3.617\%)]$  in FY15-16.
- The total increase in local sales tax revenue as a result of 50 percent of tax savings being spent in the economy is estimated to be \$1,447  $[(\$105,100 \times 50.0\% \times 2.5\%) + (\$105,100 \times 50.0\% \times 7.0\% \times 3.617\%)]$  in FY14-15, and \$2,025  $[(\$147,140 \times 50.0\% \times 2.5\%) + (\$147,140 \times 50.0\% \times 7.0\% \times 3.617\%)]$  in FY15-16.
- The net decrease in state revenue as a result of this bill is estimated to be \$94,055 (\$97,600 - \$3,545) in FY14-15, and \$131,676 (\$136,640 - \$4,964) in FY15-16.
- The net decrease in local revenue as a result of this bill is estimated to be \$6,053 (\$7,500 - \$1,447) in FY14-15, and \$8,475 (\$10,500 - \$2,025) in FY15-16.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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